

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of California-American Water Company for an order authorizing it to increase its rates for water service in its Sacramento District to increase revenues by \$3,160.8 or 14.35% in the year 2005, by \$2,158.6 or 8.48% in the year 2006, and by \$1,202.2 or 4.35% in the year 2007.

Application 04-04-040
(Filed April 30, 2004)

In the Matter of the Application of California-American Water Company (U 210-W) for an order authorizing it to increase its rates for water service in its Larkfield District to increase revenues by \$494.1 or 26.16% in the year 2005, by \$183.4 or 7.63% in the year 2006, and by \$61.9 or 2.39% in the year 2007.

Application 04-04-041
(Filed April 30, 2004)

In the Matter of the Application of California-American Water Company (U 210-W) for authority pursuant to Public Utilities Code Section 454 to Restructure and Consolidate its Rates for its Sacramento and Larkfield Districts.

Application 04-08-013
(Filed August 11, 2004)

**RULING AND SCOPING MEMO
OF ASSIGNED COMMISSIONER AND ADMINISTRATIVE LAW JUDGE**

1. Summary

This ruling and scoping memo (Scoping Memo) affirms the procedural consolidation of the three captioned proceedings, designates the category of these

proceedings, the need for hearing, and the principal hearing officer, describes the issues, and sets forth the schedule.¹

2. Background

On April 30, 2004, California-American Water Company (Cal-Am) filed two general rate case (GRC) applications, Application (A.) 04-04-040 for its Sacramento District and A.04-04-041 for its Larkfield District. Each of the applications requests authority to increase rates for water service in the years 2005, 2006, and 2007.² The Office of Ratepayer Advocates (ORA) timely filed a protest to both applications on June 7, 2004, and requested that the proceedings be consolidated for purposes of hearing and decision. Cal-Am filed a response on June 17, 2004, opposing ORA's request to consolidate because in its last consolidated case one small district (the Felton district) held up the Commission's decision on the other three districts.

At the first prehearing conference (PHC) on July 13, 2004, Cal-Am stated that in response to Ordering Paragraph 12 of D.04-05-023, issued after its April filings, it would likely file an application to consolidate for ratemaking purposes its Sacramento and Larkfield districts. Further, Cal-Am stated it was still developing this proposal for rate consolidation and therefore could not state how it would affect the two pending GRC applications. In response, the assigned Administrative Law Judge (ALJ) scheduled a second PHC for August 16, 2004, after the deadline by which Cal-Am would decide whether to file an application

¹ This scoping memo is issued pursuant to Rule 6(a)(3) of the Commission's Rules of Practice and Procedure (Rules). Pursuant to Rule 6.4, this scoping memo is appealable only as to category of the proceeding.

² Cal-Am cites to Decision (D.) 90-08-045 as the authority for the timing of these rate case filings. (See Exhibit G of each application.)

to consolidate its Sacramento and Larkfield districts.³ On August 11, 2004, Cal-Am filed A.04-08-013, a rate consolidation application for its Larkfield and Sacramento districts.

At the August 16 PHC, Cal-Am and ORA both agreed it made good sense to consolidate the three cases for purposes of evidentiary hearings, and the ALJ so ruled. A preliminary procedural schedule was set and public participation hearings scheduled for Larkfield and Sacramento. A discussion was also begun on whether and how the new rate case plan adopted in D.04-06-018 would apply here. A third PHC was set for September 23, 2004, after the protest period had ended for A.04-08-013.⁴

At the third PHC, the assigned ALJ granted County of Santa Cruz's request to intervene in the proceeding but denied its motion to consolidate the three cases here with Cal-Am's Felton-Monterey rate consolidation application, ruling that the County of Santa Cruz's interest in consolidating Felton with Sacramento rather than Monterey, could still be explored in both dockets without the need to further delay the schedule here.⁵ Additional parties granted intervention were the Larkfield/Wikiup Water District Advisory Committee and the Mark West Area Chamber of Commerce.

³ By letter dated July 30, 2004 to the Commission's Executive Director, Cal-Am requested a one-week extension of the August 4, 2004 deadline to file its consolidation application. This request was granted.

⁴ On September 13, 2004, the County of Santa Cruz timely protested A.04-08-013.

⁵ Cal-Am's rate consolidation application for the Felton and Monterey districts, A.04-08-012, is assigned to Commissioner Kennedy and ALJ McVicar. At his September 20 PHC, ALJ McVicar also denied the County of Santa Cruz's motion to consolidate A.04-08-012 with A.04-08-013.

In discussing the applicability of the new Rate Case Plan (RCP) adopted by the Commission in June, both Cal-Am and ORA stated that since the Sacramento and Larkfield GRCs were filed in April, the new calculation methodologies should not be applicable here. In the matter of scheduling, the overall schedule agreed to by all parties follows Cal-Am's August filing and is generally consistent with the new RCP.

Based on questions from the ALJ, Cal-Am stated that the table showing the benefits of rate consolidation for the Larkfield district (Table E of A.04-08-013) was incorrect and a revised table would be filed on September 24, 2004.

Public participation hearings were held in Larkfield on September 29, 2004, and in Sacramento on September 30, 2004.

3. Categorization, Need for Hearings, Ex Parte Rules, and Designation of Principal Hearing Officer

This proceeding has been preliminarily categorized as ratesetting, as that term is defined in Rule 5(c), and this ruling affirms that categorization. Parties in their protests and prehearing statements state there is a need for evidentiary hearings; no party objects to hearings. This ruling determines that evidentiary hearings are required and sets a procedural schedule for such hearings.

In a ratesetting proceeding, Rule 5(k)(2) defines the "presiding officer" as the principal hearing officer designated as such by the Assigned Commissioner prior to the first hearing in the proceeding. The undersigned Assigned Commissioner designates ALJ Christine M. Walwyn as the principal hearing officer.

The Commission's ex parte rules applicable to this proceeding are set forth in Rules 7(c) and 7.1. These ex parte rules apply to all parties of record and, more broadly, to all persons with an interest in any substantive matter; the broad

category of individuals subject to our ex parte rules is defined in Pub. Util. Code § 1701.1(c)(4) and Rule 5(h).⁶

4. Scope of the Proceeding

This proceeding includes two GRC applications and an application requesting to restructure and consolidate the rates for the Sacramento and Larkfield districts.

In a GRC proceeding, topics for hearing may include water sales and operating revenue, Operating and Maintenance (O&M) expenses, utility plant, depreciation, rate base, taxes, rate of return, conservation and customer service, general office expenses, and requests for surcharges and memorandum accounts. GRC topics specific to Cal-Am will be any savings attributed to the purchase of the stock of its parent company, American Water Works, Inc. by RWE Aktiengesellschaft in January 2003, any reporting requirements required by that merger decision, D.02-12-068, and a showing, as required under D.01-09-057, to support any requested amortization of the acquisition premium paid to Citizens Utilities Company of California. Cal-Am is requesting the Commission determine new revenue requirements, rate designs, and rates for the customers of the Larkfield and Sacramento districts for 2005, 2006, and 2007.

In considering Cal-Am's application requesting to restructure and consolidate the rates of its Larkfield and Sacramento districts, the topics for hearing will be examining the specific proposal of Cal-Am to determine whether its request should be approved, modified, or denied. If the Commission adopts a

⁶ All statutory references are to the Public Utilities Code unless otherwise indicated.

rate consolidation proposal for Larkfield and Sacramento, this would change the revenue requirements, rate designs, and rates requested in the GRC filings.

In its April filings, Cal-Am requests that it be allowed to impose interim rates on January 1, 2005, if the Commission is not able to render a final decision on its rate cases by that date. As discussed at the PHCs, Cal-Am should pursue this request by separate motion and follow the criteria set forth in D.04-06-018.

5. Procedural Schedule

After discussion at the August 16 PHC, the following schedule is adopted:

ORA and Intervenor Testimony	November 10, 2004
Concurrent Rebuttal Testimony	November 17, 2004
Evidentiary Hearings	December 6-8, 2004
Opening Briefs filed	December 23, 2004
Reply Briefs filed	January 14, 2005
Projected Submission date	January 14, 2005
Proposed Decision mailed	March 15, 2005
Final Decision on Commission Agenda	April 21, 2005

Pursuant to § 1804(a)(1), no later than October 25, 2004, parties intending to seek an award for intervenor's fees and expenses for participation in this proceeding must file a Notice of Intent to claim compensation. Pursuant to Rule 8(d), parties requesting final oral argument before the Commission must include that request in their opening brief.

This proceeding is scheduled to be completed within 18 months of this scoping memo, as required by § 1701.5.

6. Service List

The service list for this proceeding is attached to this ruling and any updates will be reflected in the service list on the Commission's Website

(www.cpuc.ca.gov). Additional parties wishing to participate as a full party to the proceeding must make their request by written motion or on the hearing record; additions to information only or state service can be handled by an e-mail to ALJ Walwyn (cmw@cpuc.ca.gov).

Therefore, **IT IS RULED** that:

1. For purposes of evidentiary hearings and decisionmaking, Application (A.) 04-04-040, A.04-04-041, and A.04-08-013 are consolidated.
2. This proceeding is categorized as ratesetting and that category determination is appealable under the procedures set forth in Rule 6.4 of the Commission's Rules of Practice and Procedure.
3. Evidentiary hearings are required.
4. Administrative Law Judge Christine M. Walwyn is the principal hearing officer.
5. The scope of this proceeding is set forth in Section 4.
6. The procedural schedule and process for this proceeding are set forth in Sections 5 and 6.

Dated October 18, 2004, at San Francisco, California.

/s/ GEOFFREY F. BROWN

Geoffrey F. Brown
Assigned Commissioner

/s/ CHRISTINE M. WALWYN

Christine M. Walwyn
Administrative Law Judge

ATTACHMENT A: SERVICE LIST****

Last Update on 12-OCT-2004

A0404040 LIST

A0404041, A0408013

******* APPEARANCES *******

David P. Stephenson
CALIFORNIA AMERICAN WATER
4701 BELOIT DRIVE
SACRAMENTO CA 95831
(619) 409-7712
dstephens@amwater.com
For: California American Water

Nicholas Sher
Attorney At Law
CALIFORNIA PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO CA 94102
(415) 703-4232
nms@cpuc.ca.gov
For: ORA

Paul Angelopulo
Attorney At Law
CALIFORNIA PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO CA 94102
(415) 703-4742
pfa@cpuc.ca.gov
For: ORA

Miriam L. Stombler
Attorney At Law
COUNTY OF SANTA CRUZ
701 OCEAN STREET, ROOM 505
SANTA CRUZ CA 95060
(831) 454-2040
miriam.stombler@co.santa-cruz.ca.us
For: County of Santa Cruz

LARKFIELD/WIKIUP WATER DISTRICT ADVISORY
C/O LESCURE ENGINEERS, INC.
4635 OLD REDWOOD HIGHWAY
SANTA ROSA CA 95403

James M. Boulter
LARKFIELD/WIKIUP WATER DISTRICT ADVISORY
133 ETON COURT
SANTA ROSA CA 95403
(707) 546-3097
reluob@att.net

MARK WEST AREA CHAMBER OF COMMERCE
4795 OLD REDWOOD HIGHWAY, STE. A
SANTA ROSA CA 95403
(707) 578-7975

Monica L. McCrary
Legal Division
RM. 5134
505 VAN NESS AVE
San Francisco CA 94102
(415) 703-1288
mlm@cpuc.ca.gov

Lenard G. Weiss
Attorney At Law
STEEFEL, LEVITT & WEISS
ONE EMBARCADERO CENTER, 30TH FLOOR
SAN FRANCISCO CA 94111
(415) 788-0900
lweiss@steefel.com
For: California American Water

Lori Anne Dolqueist, Esq.
Attorney At Law
STEEFEL, LEVITT & WEISS, P.C.
ONE EMBARCADERO CENTER, 30TH FLOOR
SAN FRANCISCO CA 94111
(415) 788-0900
LDolqueist@steefel.com
For: California American Water

******* STATE EMPLOYEE *******

Diana Brooks
Office of Ratepayer Advocates
RM. 4102
505 VAN NESS AVE
San Francisco CA 94102
(415) 703-1445
dsb@cpuc.ca.gov

Harriett J Burt
Consumer Service & Information Division
RM. 2103
505 VAN NESS AVE
San Francisco CA 94102
(415) 703-2074
hjb@cpuc.ca.gov

A.04-04-040 et al. GFB/CMW/hkr

Fred L. Curry 5
Water Division
RM. 3106
505 VAN NESS AVE
San Francisco CA 94102
(415) 703-1739
flc@cpuc.ca.gov

Maxine Harrison
Executive Division
RM. 500
320 WEST 4TH STREET SUITE 500
Los Angeles CA 90013
(213) 576-7064
omh@cpuc.ca.gov

Christine M. Walwyn
Administrative Law Judge Division
RM. 5117
505 VAN NESS AVE
San Francisco CA 94102
(415) 703-2301
cmw@cpuc.ca.gov

***** INFORMATION ONLY *****

James Bajgrowicz
235 WIKIUP MEADOWS DRIVE
SANTA ROSA CA 95403
(707) 523-1539

Robert C. Baptiste
9397 TUCUMCARI WAY
SACRAMENTO CA 95827-1045

Stephen Carrozzi
5750 CORBETT CIRCLE
SANTA ROSA CA 95403

Maria D. Duddy
18 NOONAN RANCH CIRCLE
SANTA ROSA CA 95403

Mario Gonzalez
111 MARKWEST COMMONS CIRCLE
SANTA ROSA CA 95403
(707) 569-9554
starzx4@soic.net

Tim & Sue Madura
411 FIRELIGHT DRIVE
SANTA ROSA CA 95403
(707) 545-7730
smadural@aol.com

Jim Matthews
155 WIKIUP MEADOWS DRIVE
SANTA ROSA CA 95403
jmatthew@reliancetrailer.com

Jeff Mccoy
5710 CORBETT CIRCLE
SANTA ROSA CA 95403
jeffmc@sonic.net

Kathy Melee
PO BOX 2278
WINDSOR CA 95492

Marvin Philo
3021 NIKOL STREET
SACRAMENTO CA 95826
(916) 363-0482
mhphilo@aol.com

Donna Pulliam
252 FIRELIGHT COURT
SANTA ROSA CA 95403
(707) 544-9402

Diane Sackett
1449 GREAT HERON DRIVE
SANTA ROSA CA 95409
(707) 539-0236
diane@actionloans.com

Ann Sebastian
223 FIRELIGHT COURT
SANTA ROSA CA 95403
(707) 579-3934

Walt Shannon
8356 AUBERRY DRIVE
SACRAMENTO CA 95828
(916) 682-5465
shanw@swrcb.ca.gov

Carol Smith
6241 CAVAN DRIVE, 3
CITRUS HEIGHTS CA 95621
(916) 628-5737
maddonaqueen@infostations.com

Tim Souza
212 FIRELIGHT COURT
SANTA ROSA CA 95403
tsouza@tep.net

A.04-04-040 et al. GFB/CMW/hkr

Steven J. Thompson
5224 ALTANTA WAY
SACRAMENTO CA 95814
(916) 349-8503

James D. Urquhart
5296 MARIGOLD LANE
SANTA ROSA CA 95403
(707) 526-1354

Johnny Yu
5356 ARNICA WAY
SANTA ROSA CA 95403
(707) 565-3648
johnnyyu@backpacker.com

(END OF ATTACHMENT A)

CERTIFICATE OF SERVICE

I certify that I have by mail, and by electronic mail to the parties to which an electronic mail address has been provided, this day served a true copy of the original attached Ruling and Scoping Memo of Assigned Commissioner and Administrative Law Judge on all parties of record in this proceeding or their attorneys of record.

Dated October 18, 2004, at San Francisco, California.

/s/ KE HUANG

Ke Huang

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

The Commission's policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

If specialized accommodations for the disabled are needed, e.g., sign language interpreters, those making the arrangements must call the Public Advisor at (415) 703-2074, TTY 1-866-836-7825 or (415) 703-5282 at least three working days in advance of the event.